

California Tax Credit Allocation Committee

2005 Results and
2006 Regulation Changes
Adopted January 2006

2005 Outcomes: 9% Credits

- ◆ Funded 72 projects
 - ◆ 5,042 total units
 - ◆ 4,939 affordable units
- ◆ New Construction: 65 projects (90%)
- ◆ Acquisition/rehabilitation: 5 projects (7%)
- ◆ Rehabilitation: 2 projects (3%)
- ◆ Oversubscription rate: 2:1

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9% Credits Awards Cont.

- Median federal credit award: \$993,160
- Median project size: 70 units
- Also receiving State credits: 18 projects
- State credit exchanges: 5 projects
- Median state credit awards: \$3,050,000

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Awardees: Organizational Type

- 39 joint ventures (54%)
- 30 nonprofits (42%)
- 3 for-profits (4%)

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Set-Asides: Rural (20%)

- 16 projects awarded
 - ◆ 13 family projects
 - ◆ 3 senior projects
- Set-aside = \$13.37 million
- \$14,360,986 in annual federal credits
- \$16,944,278 in total state credits

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Set Asides: Nonprofit (10%)

- 7 total projects awarded
 - ◆ 2 homeless assistance apportionment deals
 - ◆ 5 general nonprofit awards
 - ◆ 4 family
 - ◆ 1 senior
 - ◆ 1 SRO
 - ◆ 1 Special Need
- ◆ Set-aside = \$6.68 million
- ◆ \$6.9 million in annual federal credit awarded

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Set Asides: At Risk (5%)

- 3 awards
- Set-aside = \$3.3 million
- \$1.7 million awarded

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Set Asides: Small Development (2%)

- 5 projects awarded for 96 total units
- Set-aside = \$1.33 million
- \$1.5 million awarded

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Set Asides: Special Needs/SRO (2%)

- No projects funded.
- Set-aside = \$3.34 million (unused)

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Geographic Apportionments (M)

<u>Region (projects)</u>	<u>App'nt</u>	<u>Award</u>	<u>Diff.</u>
Los Angeles (11)	\$14.4	\$13.1	\$1.3
Central (6)	\$4.5	\$7.7	(\$3.2)
N&E Bay (3)	\$4.5	\$4.5	-
San Diego (5)	\$4.9	\$5.5	(\$.6)
Inland Empire (5)	\$3.8	\$7.3	(\$3.5)
Orange Co. (3)	\$3.9	\$5.6	(1.7)
S&W Bay (1)	\$2.3	\$0.9	\$1.4
Capital North (3)	\$2.7	\$4.4	(\$1.7)
Central Coast (1)	\$2.9	\$0.7	\$2.2
San Francisco (2)	\$3.6	\$3.0	\$0.6

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Geographic Details: Los Angeles

- 11 projects
 - ◆ 9 family
 - ◆ 2 senior
- Winning scores: 155 to 104
- Third Tiebreaker scores: 77.749 to 105.994

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Los Angeles Continued

- Including set-asides, 19 projects awarded in the region
- 13 in the City of Los Angeles
- One each in Compton, Maywood, North Hills, Palmdale, and Santa Monica
- Will produce 980 total units

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Geographic: Central Region

- 6 projects funded, all family deals
- Winning scores: 155 to 152
- Third tiebreakers: 80.598 to 108.047
- Three projects funded off of the second round waiting list.

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Central Region Continued

- Including set-asides, 15 projects awarded in the region:
 - ◆ 3 in Fresno
 - ◆ 5 in Kern County
 - ◆ 5 in Tulare County
 - ◆ One each in Merced and San Joaquin
- Will produce 1,135 total units

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Geographic: North & East Bay

- 3 projects funded
 - ◆ 1 family project
 - ◆ 2 senior deals
- All winners scored 155
- Third tiebreaker: 77.313 to 84.012

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North & East Bay Continued

- Including set-asides, 5 projects awarded
- 3 in Alameda County
 - ◆ One in Berkeley
 - ◆ Two in Oakland
- 2 in Contra Costa County
 - ◆ One in Brentwood
 - ◆ One in San Pablo
- Will produce 454 total units

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Geographic: San Diego

- 5 projects funded
 - ◆ 4 family deals
 - ◆ 1 senior project
- Winning scores: 155 to 137
- Third tiebreakers: 72.939 to 96.875

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San Diego Continued

- No set-aside awards in addition to 5 regional awards:
 - ◆ Three in San Diego
 - ◆ One each in Carlsbad and Poway
- Will produce 374 total units

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Geographic: Inland Empire

- 5 projects funded
 - ◆ 4 family deals
 - ◆ 1 senior project
- Winning scores were all 155
- Third tiebreakers: 88.317 to 97.057
- 2 projects funded off of the 2nd round waiting list

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Inland Empire Continued

- Including set-asides, 12 projects awarded in the region:
 - 6 in Riverside County
 - ◆ Two each in the County and Moreno Valley
 - ◆ One each in Desert Hot Springs, and Riverside
 - 6 in San Bernardino County
 - ◆ Two in Victorville
 - ◆ One each in Adelanto, Hesperia, Montclair, and Ontario
- Will produce 720 total units

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Geographic: Orange County

- 3 projects
 - ◆ 2 family projects
 - ◆ 1 senior deal
- Winning scores: 155 to 128
- Third tiebreakers: 62.717 to 104.547
- 1 project funded off of the 2nd round waiting list

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Orange County Continued

- Including one set-aside award, 4 projects awarded in the region:
 - ◆ Two in Anaheim
 - ◆ One each in Garden Grove and Irvine
- Will produce 380 total units

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Geographic: South & West Bay

- 1 project, a family deal
- Winning score: 147
- Third tiebreaker: 77.218
- Will produce 55 total units
- No set-aside awards

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Geographic: Capital Region

- 3 projects
 - ◆ 1 family project
 - ◆ 2 senior deals
- Winning scores were all 155
- Third tiebreakers: 77.239 to 83.176
- One project funded off of the 2nd round waiting list

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Capital Region Continued

- No set-aside awards
- Of the total of three funded projects:
 - ◆ Two projects funded in Sacramento
 - ◆ One in Folsom
- 377 total units

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Geographic: Coastal Region

- 1 project, a family deal
- Winning score: 108
- Third tiebreaker: 108.495

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Coastal Region Continued

- Including two set-aside awards, 3 projects awarded:
- One in Monterey County
- One in San Luis Obispo County
- One in Santa Barbara County
 - ◆ Within City of Santa Barbara
- Will produce 142 total units

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Geographic Region: San Francisco

- 2 projects, both senior deals
- Winning scores: 141 to 139
- Third tiebreakers: 49.917 to 60.986
- Will produce a total of 211 units

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Nature of 2006 Changes

- Miscellaneous clarifying changes
- Substantive changes
- Changes in response to comments

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State Enterprise Zones

- **§10325(c)(6):** Add State Enterprise Zones to lists of area-based revitalization efforts
- Reason: These zones similarly focus resources into an area that complement and are complemented by the proposed housing developments.

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Rural Housing Service 538

- **§10315(d):** Eliminate RHS 538 guaranties from the RHS apportionment within rural set-aside.
- **Reason:** The 538 loan guaranty is not meaningfully more beneficial to the residents of a rural development than other public funding sources.
- **Note:** Change effective 2nd Round 2006.

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El Centro to Inland Empire

- **§10315(j):** Places the non-rural City of El Centro in the IE geographic apportionment.
- **Reason:** El Centro must go into a region, and IE is most proximate and similar (e.g.; in SCAG planning region). Rest of Imperial County remains rural.

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Correctable Application Errors

- **§10322(e):** Allow the Executive Director to permit correction of clear reproduction or assembly errors, or transposed numbers.
- **Reason:** Would allow consideration of good project proposals that are missing a basic or additional threshold item or have mistakenly included an erroneous item.
- **Note:** Committee limited this item.

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Sustainable Building Methods

- **§10325(c)(8):** Remains an 8 point category
 - ◆ Title 24: Exceed by 10% = 4 points
 - ◆ Menu of 14 additional alternatives worth one or two points each
- **Reason:** More rigorous Title 24 standard as of October 2005, and evolving practices and technologies.

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Other Energy- and Green-Related Changes

- **§10325(f)(7):** Minimum construction standards amended as basic thresholds.
- **§10327(c)(5)(b):** 4% boost to basis limits for specified energy/resource conservation or indoor air quality improvements.

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RHS Apportionment Funding

- **§10325(d)(1):** Funded first among the rural set-aside applications.
- Once 14% is met, then remaining rural projects funded by score, regardless of RHS funding.
- **Reason:** Clarifies confusion expressed in last round. Reflects past practice.

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At-Risk Definition

- **§10325(g)(5):** As additional threshold, sets 5 years as the term during which restrictions may lapse.
- Allows applications where a nonprofit has acquired the property
 - ◆ Using public financing w/ long-term use restrictions, or
 - ◆ Having secured HAP contract renewals for the maximum term available
- Reason: Statutory changes, and avoids punishing nonprofits for saving projects before seeking credits.

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Developer Fee

- **§10327(c)(2)(C):** Clarifies that, for multiple applications, fee is capped at original funded application level.
- Reason: Applicants have expressed confusion regarding current capping “at application” language.

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Debt Service Coverage Minimum

- **§10327(c)(6):** Retains current 1.1:1 debt service coverage ratio
- Forgoes change to a 1.15:1 ratio signaled in last year’s regulation changes
- Reason: Retains consistency with other State lenders and provides latitude to private lenders.

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Other Changes Responding to Comments: Annual Limits

- **§10305(d):** TCAC is not applying the per-applicant cap to 15% of the federal credits only.
- Reason: Uncertain impact on urban versus non-urban regions.

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Neighborhood Revitalization

- **§10325(c)(6):** TCAC will not require both letters from local area nonprofit organizations and local government sources describing local efforts
- Reason: Persuasive comments stated that local governmental commitment of resources is the key to successful revitalization.

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4% Credits: Basis Limit Boosts

- **§10305(d):** Increases to Basis Limits
 - ◆ In DDA/QCT: 60%
 - ◆ Outside DDA/QCT: 80%
- Where tax credit units are more than half the project:
 - ◆ In DDA/QCT: 80%
 - ◆ Outside DDA/QCT: 100%

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Proposed Change: Homeless Assistance Apportionment

- **§10315(b):** Eliminate federal program funding as a threshold.
- 50% of units for homeless households (now defined) at affordable rents
- Establishes priorities:
 - ◆ McKinney Act or Homeless Initiative funding
 - ◆ Committed rental assistance for 50% of the units.
- Change would be effective in 2nd Round.

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Items for Further Consideration

- **Basis Limits:** Explore alternative indicators of reasonable development costs.
- **New Growth Communities:** Learn more about projects in new growth areas presently lacking amenities.
- **Augmentations:** Review how other states treat requests for additional credits.

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